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LEGISLATION AND REGULATION

Report Highlights

- New legislation and a new regulatory framework are needed for a competitive electricity system.
- The Ontario Energy Board should regulate Ontario's electricity industry.

Reasons for Change

Regulation of Ontario Hydro over the last 90 years has been sporadic or non-existent. The existing legislative framework, specifically the *Power Corporation Act* and the *Public Utilities Act*, is outdated. It is inappropriate for Ontario Hydro to be an unregulated monopoly and to have a regulatory role over other electricity activities.

The Advisory Committee recommends that there be a regulatory scheme for electricity now where it is needed, and that the Ontario Energy Board (OEB) be the regulator. The OEB should be given a broad, comprehensive mandate and the flexibility to respond to changes.

The OEB would regulate those aspects of the electricity industry that remain a monopoly, such as the transmission system and local distribution wires. It would exercise regulatory surveillance over the System Operator, and oversee generation. Electricity agents, brokers and marketers should be licensed either by the OEB or the Electricity Exchange. A body such as the Ontario Securities Commission would provide regulatory surveillance over the Electricity Exchange.

The new regulatory scheme should be cost-efficient. The Advisory Committee supports incentive-type regulation which could both reward and penalize the regulated company for efficiency or lack of efficiency. It would be able to assess performance against defined benchmarks.

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